MANILA BANKERS LIFE INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 –CORPORATE INFORMATION

Manila Bankers Life Insurance Corporation (MB Life) is a company formed and organized primarily to conduct and transact life, accident and health insurance business. The Company is also engaged in the reinsurance on any risk of the company and to undertake all kinds of reinsurance, to the extent allowed by law. The Company is registered with the Securities and Exchange Commission on May 15, 1967 under registration number 15238.

The principal office of MB Life is located at VGP Center, 6772 Ayala Avenue, Makati City.

In 2005, MB Life entered into an Assumption Reinsurance Agreement with Paramount Life and General Insurance Company (Paramount), which was duly approved by the Insurance Commission. Paramount agreed to assume from MB Life the Individual Life Insurance business portfolio through its regular, salary deduction and direct marketing lines under its terms and conditions.

MB Life wholly owned the Eastmont Direct Management Corporation, supplier of direct marketing services.

In March 25, 2008, the Securities and Exchange Commission approved the extension of corporate term for another fifty (50) years from and after the date of its expiration which is on April 13, 2009.

The financial statements of MB Life for the year ended December 31, 2015 were duly authorized for issue by the Board of Directors on April 12, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

<u>2.1 Basis of presentation</u>

The financial statements have been prepared on the historical cost basis unless otherwise stated. These financial statements are prepared in Philippine pesos, the company's functional currency, and all values represent absolute amounts except when otherwise indicated.

<u>2.2 Statement of compliance</u>

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and generally accepted insurance accounting principles and reporting practices in the Philippines, which are designed primarily to show the Company's ability to meet its obligations to policyholders. In certain respects, these principles and practices differ from generally accepted accounting principles followed by other business enterprises in determining financial position and operating results. Significant practices and policies are as follows:

a. Policy acquisition cost are charged to current operations as incurred, rather than being amortized over the premium paying period of the policies;

b. Premiums adjusted by actuarially computed net outstanding and deferred premiums, are recognized upon collection and application of automatic premium loan rather than being amortized over the term of the policies; and

c. Investments in bonds and government securities are carried at amortized cost using effective interest method.

2.3 New and amended standards adopted by the Company

- PAS 1,*Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments only affect presentation and have no impact on the Company's financial position or performance. The adoption did not result in any changes in the amounts presented in the financial statements.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. (See Note 23)

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose separately for financial assets and financial liabilities recognized at the end of the reporting period, in a tabular format unless another format is more appropriate, the following are minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The adoption did not result in any significant change since the Company has not entered into any collateral or similar agreements in the current and previous year.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The adoption did not materially affect the Company's financial position and performance.

- PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption did not materially affect the Company's financial position and performance.

<u>2.4 Standards issued but not yet effective</u>

Standards issued but not yet effective up to date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations on International Financial Reporting Interpretations Committee (IFRIC) to have significant impact on its financial statements.

Effective 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

<u>2.5 Financial assets</u>

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument; include cash and other financial instruments.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income.

For the year ended December 31, 2015 and 2014, the Company has no financial assets/liability at fair value through profit or loss (FVPL).The financial assets are classified into the following categories.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the financial reporting date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Company's loans and receivables are presented as Insurance Contract Receivables, Loans and Other Receivables, and Accrued Interest in the statement of financial position.

b) Held-to-maturity investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are included in non-current assets under Financial Assets account in the statements of financial position, except those maturing within 12 months of the financial reporting date. Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit and loss.

c) Available-for-sale financial assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the statements of financial position unless management intends to dispose of the investment within 12 months from the financial reporting date.

All available-for-sale financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effect arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from, available for sale financial assets reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the financial reporting date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.7 Insurance contract receivables

Insurance contract receivables include premiums due and uncollected and due from ceding companies.

- *Premium due and uncollected*: are net premium due and uncollected premiums on lifeinsurance policies that are computed by an independent actuary.

- *Due from ceding companies*: are reinsurance premium due from ceding companies as a result of treaty or facultative reinsurances accepted that are computed by an independent actuary.

Receivables, such as advances to officers and employees, are stated at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

2.8 Loans and other receivables

Loans and other receivables consist of various receivables from the Company's employees, related parties, and third parties and are presented in detail in Note 11. These were initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

2.9 Accrued income

These are income determined using the effective interest method earned by the Company during the year but were not received as of the financial reporting date.

2.10 Reinsurance asset

Reinsurance assets include amounts recoverable from reinsurers that are actuarially computed claims collectible to reinsurer arising from paid claims and are stated at amortized cost using the effective interest method.

2.11 Prepayments and other current assets

Prepayments are advance payments of expenditures made by the Company that are amortized for not more than twelve (12) months.
Other current assets are initially measured at fair value and subsequently measured at amortized cost less any impairment, if any.

2.12 Property and equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

2.13 Investment in associates

Associates are entities over which the Company is in a position to exercise significant influence in the financial and operating policy decisions but not control or joint control.

Associates are recognized using the equity method of accounting. Under the equity method the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3 Business Combinations.

The statements of comprehensive income of the investor include the investor's share of the statements of income of the investee.

Losses of associates in excess of the Company's interest in the relevant entity are not recognized except to the extent that the Company has an obligation. Profits on Company transactions with associates are eliminated to the extent of the Company's interest in the relevant associate.

2.14 Assets held for sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

2.15 Investment property

Investment property is measured initially at acquisition cost. Subsequently, investment property is stated at fair value, including transaction costs as determined by independent appraisers. The carrying amounts recognized in the statements of financial position reflect the prevailing market conditions at the financial reporting date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statements of comprehensive income as Fair Value Gains from Investment Property under Other Income account.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statements of comprehensive income in the year of retirement or disposal.

2.16 Impairment of non-financial assets

The Company's investments in subsidiaries and associates, intangible assets, property and equipment and investment property are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

As of December 31, 2014 and 2013 the Company did not perform impairment testing of its assets except for the building which was appraised by independent appraiser on October 19, 2010. The revaluation surplus was recognized as asset revaluation reserve under equity section.

2.17 Financial liabilities

Financial liabilities include interest-bearing loans and borrowing, insurance contract liabilities, premium deposit fund, insurance payables, payables and accrued expenses and income tax payable and other non-current liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in the statements of comprehensive income under the caption Finance Costs in the statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.18 Insurance contract liabilities

Insurance contract liabilities include policy and contract claims payable and aggregate reserve for life policies.

- *Policy and contract claims payable*: are obligation arising from life insurance policies that are due and unpaid claims that are already approved for payment, claims waiting for approval or contested claims.

- *Aggregate reserve for life policies*: are liabilities for future policy benefits have been actuarially computed based on insurance in force and estimated investments yield, mortality and withdrawals.

2.19 Premium deposit fund

This represent amounts held under deposit agreement which do not represent payment of specific premium which earn interest at prevailing bank saving deposit rate.

2.20 Insurance payable

This account represents reinsurance premiums due to reinsurers.

2.21 Payable and accrued expenses

Payable and accrued expenses are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

2.22 Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the financial reporting date, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

2.23 Equity

Share capital is determined using the nominal value of shares that have been issued. Subscription receivables are deducted and presented net of capital stock.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus pertains to contribution by shareholders in proportion to the subscription interest to the Company to cover any deficiency in the Margin of Solvency.

Available for sale financial assets reserve pertains to unrealized gain or loss due to fair valuation of the Company's available for sale financial assets.

Asset revaluation reserve pertains to unrealized gain or loss due to measuring the Company's property and equipment at its fair value.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

2.24 Revenue and expense recognition

Premiums are considerations given by the insured in exchange of the promises of the insurer to pay a stipulated sum in the event of a loss covered under the insurance contract. It also includes premiums earned on insurance pool business.

Revenue from premium is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Company, and the costs incurred or to be incurred can be measured reliably.

- *Group insurance premiums* arising from these contracts are recognized as revenue when received and on the issued date of the insurance policies for the first policy contract year. For the renewal, premiums are recognized as revenue when policies still enforceable and in the process of collections based on the historical persistency rate.

- *Other premium* arising from these contracts are recognized as revenue when received from insurance pool business.

- *Financeincome* is recognized as the interest accrues (taking into account the effective yield on the asset).

- *Dividend income* is recognized from when the right to receive the dividend is established.
- *Other income* is recognized when earned.

Benefit expenses and general and administrative expenses are recognized in the statement of comprehensive income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

2.25 Leases

Company as lessee
Leases where the lessor retains substantially all risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.26 Employee benefits

The Company has a non-contributory retirement plan in trust.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non- routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2.27 Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the financial reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base with the exception of goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the financial reporting date.

Deferred tax assets are recognized only to the extent that the Company considers that it is more likely than not that there will be suitable taxable profits available for the asset to be utilized within the same tax jurisdiction.

Deferred tax assets and liabilities are only offset when they relate to the same tax authority and the Company’s intention is to settle the amounts on a net basis.

Current tax and deferred tax are recognized in the statements of comprehensive income except that when they relate to items that initially bypass the statements of comprehensive income and are taken to equity, in which case they are similarly taken to equity.

2.28 Functional currency and foreign currency transactions

Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Company’s functional and presentation currency.

Transactions and balances
The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income.

2.29 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company are also considered to be related parties.

2.30 Events after financial reporting date

Post year-end events that provide additional information about the Company's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of customary uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows.

Judgments

(a) Going concern

The management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

(c) Determining fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(d) Financial assets not quoted in an active market

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(e) Impairment of financial assets

In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. This observable data may include adverse changes in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the portfolio.

Estimates

(a) Impairment of loans and other receivables

The Company reviews its loans and other receivables at each reporting date to assess whether an allowance for impairment should be recognized in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The carrying value of loans and other receivables and related allowance for impairment as of December 31, 2015 and 2014 are disclosed in Note10.

(b) Impairment of property and equipment

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an assetexceeds its recoverable amount. The recoverable amount is computed using the greater of fairvalue less cost to sell and value in use. Recoverable amounts are estimated for individualassets or if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2015 and 2014 the carrying values of physical property and equipment are disclosed in Note17.

(c) Estimated useful lives of physical property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

Building	10
Furniture and fixtures	10
Office equipment	5
Transportation equipment	5
Other assets	5
Leasehold improvements	1
IT systems software	5

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the physical property and equipment.

(d) Present value of retirement liability

The determination of obligation and cost of retirement benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary increase rates. In accordance with PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect retirement liability.

As of December 31, 2015 and 2014, the assumptions used in determining the present value of the defined benefit obligation and the carrying value of retirement liability are disclosed inNote24.

(e)Group insurance contracts

Group insurance is an effective and efficient means of protection from the adverse financial impact of unforeseen events, to individuals who share a common bond. It is provided to a group of individuals who are connected to one another through some common characteristic.

The estimation of liability arising from claims on group insurance contracts is the Company’s most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. In particular, the typical group covered for group life insurance consists of the employees of a single employer. Group life insurance is usually sold with various features designed to minimize the effect of selection. These features include eligibility rules, benefit design, and rate structure. Group insurance is generally sold under a plan of insurance which precludes individual selection amounts.

(f)Premium on group insurance contracts

The premium for group life insurance is composed of the expected claim cost, a margin for adverse claim fluctuations, the expenses attributed to the product and the specific group and a risk and a profit charge. The premium is generally guaranteed for only one year and the company is allowed to re-rate a group account in accordance with that group's experience.

NOTE 4 – FAIR VALUE MEASUREMENT

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash and cash equivalents, insurance contract receivables, loans and other receivables, accrued interest receivables, prepayments, insurance contract liabilities, premium deposit fund, insurance payables, payables and accrued expenses

The carrying amounts of these accounts approximate their fair values due to their short-term maturities.

Held to maturity investments

The fair values of these bonds are based on published price quotations in active markets.

<u>*Fair Value Hierarchy:*</u>

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The financial instrument and other accounts presenting the carrying amounts and fair values are shown below:

		2015				2014				
Particulars		**Carrying Value**		**Fair value**		Carrying Value		Fair value		FV Hierarchy
Assets:										
Cash and cash equivalents	₱	**21,554,549**	₱	**21,554,549**	₱	35,577,634	₱	35,577,634		Level 3
Insurance contract receivables		**7,474,793**		**7,474,793**		7,657,173		7,657,173		Level 3
Available for sale financial assets		**23,045,071**		**23,045,071**		31,544,750		31,544,750		Level 1
Held to maturity investments		**80,706,365**		**80,706,365**		74,624,983		74,624,983		Level 1
Loans and other receivables, net		**154,584,611**		**151,237,203**		94,094,685		94,094,685		Level 3
Accrued interest receivables		**25,297,927**		**25,297,927**		23,757,481		23,757,481		Level 3
Prepayments and other current assets		**13,740,979**		**13,740,979**		10,870,678		10,870,678		Level 3
Investment property		**35,161,000**		**35,161,000**		35,161,000		35,161,000		Level 1
Assets held for sale		**57,354,818**		**57,354,818**		57,354,818		57,354,818		Level 1
Property and equipment, net		**20,706,906**		**20,706,906**		14,991,059		14,991,059		Level 3
Investments in associate		**2,901,000**		**2,901,000**		9,496,121		9,496,121		Level 3
Total	₱	**442,528,019**	₱	**442,528,019**	₱	395,130,382	₱	395,130,382		
Liabilities:										
Insurance contract liabilities	₱	**82,658,847**	₱	**82,658,847**	₱	49,957,559	₱	49,957,559		Level 3
Premium deposit fund		**18,313,616**		**18,313,616**		17,365,384		17,365,384		Level 3
Insurance payables		**-**		**-**		-		-		Level 3
Payables and accrued expenses		**24,899,554**		**24,899,554**		10,076,913		10,076,913		Level 3
Total	₱	**125,872,017**	₱	**125,872,017**	₱	77,399,856	₱	77,399,856		

NOTE 5 –MANAGEMENT INSURANCE RISK AND FINANCIAL RISK

5.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For group insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its group insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Company operates to achieve a sufficiently large population of risks to reduce the variability of the claims outcome.

Also, the Company limits the amount of coverage that it retains and re-insures life risks in excess of this limit of retention.

Furthermore, the Company has catastrophe accident coverage from a reputable reinsurance company that serves to limit the Company's liability in the event of a covered catastrophe accident.

The Company has a Claims Department that sees to it that only eligible expenses and valid claims are paid. In some cases, the Company may reject payment of claims. The Company also compiles experience data to serve as basis of comparison between pricing mortality and morbidity assumption versus actual experience. Such experience study also serves as basis for re-rating renewing group accounts and rating new business.

5.2 Financial risk management

The Company’s activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company’s overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial performance. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

a. Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial positions, as summarized below.

		December 31, 2015						
		Neither past due nor impaired		Past due but not impaired		Impaired		**Total**
Cash and cash equivalents	₱	21,554,549	₱	-	₱	-	₱	**21,554,549**
Insurance contracts receivables		7,474,793						**7,474,793**
Financial assets								
Available for sale		23,045,071		-		-		**23,045,071**
Held to maturity investments		80,706,365		-		-		**80,706,365**
Loans and receivables		74,860,933		79,202,650		521,027		**154,584,610**
Accrued income		722,187		24,575,740		-		**25,297,927**
Total	₱	208,363,898	₱	103,778,390	₱	521,027	₱	**312,663,315**

	December 31, 2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱ 35,577,634	₱ -	₱ -	₱ 35,577,634
Insurance contracts receivables	7,657,173			7,657,173
Financial assets				
Available for sale	31,544,750	-	-	31,544,750
Held to maturity investments	74,624,983	-	-	74,624,983
Loans and receivables	17,288,086	77,241,287	434,688	94,094,685
Accrued income	732,255	23,025,226	-	23,757,481
Total	₱ 163,685,882	₱ 100,266,513	₱ 434,688	₱ 273,256,707

b. Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as cash outflows due in a day-to-day business.

The Company maintains cash to meet its liquidity requirements. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of long-term financial assets.

As at December 31, 2015 and 2014, the Company's financial liabilities have contractual maturities which are presented below.

	Within Six months	6 to 12 months	Over 1 year	**Total**
Insurance contract liabilities	₱ 7,370,483	₱ -	₱ 75,288,362	₱ **82,658,847**
Premium deposit fund	-	-	18,313,616	**18,313,616**
Insurance payable	-	-	-	**-**
Payable and accrued expenses	7,278,303	10,268,772	7,352,479	**24,899,554**
Total	₱ 14,649,286	₱ 10,268,772	₱ 100,954,458	₱ **125,872,017**

	Within Six months	6 to 12 months	Over 1 year	Total
Insurance contract liabilities	₱ 7,820,059	₱ -	₱ 42,137,500	₱ 49,957,559
Premium deposit fund	-	-	17,365,384	17,365,384
Insurance payable	-	-	-	-
Payable and accrued expenses	3,461,024	4,672,691	1,943,198	10,076,913
Total	₱ 11,281,083	₱ 4,672,691	₱ 61,446,082	₱ 77,399,856

c. Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes.

Market risk also refers to changes in the value of financial instruments or contracts due to unpredictable fluctuations in prices of traded assets as well as fluctuations in interest rate and exchange rate and other market prices.

The Company allocates exposures to market risk into a trading portfolio, as specified in BSP Circular No.476.

d. Interest rate risk

The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Majority of the Company's loan portfolio have fixed interest rates. As a result, the Company's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

e. Exchange Rate Fluctuation

While the Company's revenue is currently generated in Philippine peso, a portion of cash received from its policyholders is denominated in United States dollar (USD). These USD denominated cash in bank represents 1.42% and 1.12% of the Company's total cash and cash equivalents as of December 31, 2015 and 2014, respectively. As such, fluctuations in the value of the Philippine peso against the USD are not expected to have material adverse effect on the Company's results of operations.

f. Equity Price Risk

Equity price risk is the risk that the fair value of equity securities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the Board of Directors. Management strategies and plans are discussed in the regular board meetings.

NOTE 6 –CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

Risk based capital formula

This is an important tool in the financial assessment and management of the insurance company. Risk based capital include any formula that calculate a target capital based on factors that reflect the level of financial risk of the insurance company. These factors are set by the Insurance Commission to determine the capital requirements for insurance company and when to take regulatory actions.

NOTE 7 – CASH AND CASH EQUIVALENTS

As of December 31, the account consists of the following:

Particulars		**2015**		2014
Petty cash fund	₱	**214,000**	₱	20,000
Cash in banks		**19,370,111**		18,135,717
Short-term placement		**1,970,438**		17,421,917
Total	₱	**21,554,549**	₱	35,577,634

Money market placement or short-term placement with commercial banksearns interest ranging from .5% to 1% and .75% to 1% per annum.

NOTE 8 – INSURANCE CONTRACT RECEIVABLES

The account represents uncollected premiums on direct business, including those by general agents and insurance brokers, including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up. The balances as of December 31, 2015 and 2014 amounting to ₱7,474,793 and ₱7,657,173,respectively are actuarially computed by the Company's Actuary.

NOTE 9 – AVAILABLE FOR SALE FINANCIAL ASSETS

As of December 31, 2015, the available for sale financial assets consist of:

Particulars		Fair value		Cost		Unrealized gain (loss)
Equity securities						
Traded	₱	22,135,070	₱	20,405,163	₱	1,729,907
Non-traded		200,000		204,091		(4,091)
Golf club membership shares		710,000		740,000		(30,000)
Total	₱	23,045,070	₱	21,349,254	₱	1,695,816

As of December 31, 2014, the available for sale financial assets consist of:

Particulars		Fair value		Cost		Unrealized gain (loss)
Equity securities						
Traded	₱	30,184,750	₱	29,913,859	₱	270,891
Non-traded		200,000		204,091		(4,091)
Golf club membership shares		1,160,000		1,790,000		(630,000)
Total	₱	31,544,750	₱	31,907,950	₱	(363,200)

Equity securities consist of investment in companies listed and not listed in the Philippine Stock Exchange. Golf clubs memberships consist of shares in golf club associations which are valued at costs, less any impairment losses.The fair values of available-for-sale investments have been determined directly by reference to published prices in an active market.

The reconciliation of the carrying amounts of available-for-sale financial assets are as follows:

Particulars		**2015**		2014
Equity securities, traded				
Beginning balance	₱	**30,184,750**	₱	30,960,750
Additions		**6,310,147**		-
Disposals		**(15,566,220)**		-
Fair value gain / (loss) for the period		**1,206,393**		(776,000)
Ending balance		**22,135,070**		30,184,750
Equity securities, not traded				
Beginning balance		**200,000**		200,000
Additions		**-**		-
Disposals		**-**		-
Fair value gain / (loss) for the year		**-**		-
Ending balance		**200,000**		200,000
Golf club membership shares				
Beginning balance		**1,160,000**		1,160,000
Additions		**-**		-
Disposals		**(450,000)**		-
Fair value gain / (loss) for the year		**-**		-
Ending balance		**710,000**		1,160,000
Total	₱	**23,045,071**	₱	31,544,750

Movements in the net unrealized gain (loss) on available-for-sale financial assets are as follows:

Particulars		2015		2014
Equity securities, traded				
Beginning balance	₱	**270,891**	₱	1,046,891
Reclassification adjustment		**252,624**		-
Fair value gain / (loss) for the year		**1,206,394**		(776,000)
Ending balance		**1,729,909**		270,891
Equity securities, not traded				
Beginning balance		**(4,091)**		(4,091)
Fair value gain / (loss) for the year		**-**		-
Ending balance		**(4,091)**		(4,091)
Golf club membership shares				
Beginning balance		**(630,000)**		(630,000)
Fair value gain / (loss) for the year		**600,000**		-
Ending balance		**(30,000)**		(630,000)
Total	₱	**1,695,817**	₱	(363,200)

Total fair value gain (losses) for the period is summarized below:

Particulars		2015		2014
Equity securities, traded	₱	**(1,206,394)**	₱	(776,000)
Golf club membership shares		**-**		-
Total	₱	**(1,206,394)**	₱	(776,000)

NOTE 10 – HELD TO MATURITY INVESTMENTS

Held to maturity investments consists of Government Bonds and Corporate Bonds.

Government bonds consist of twenty and twenty five- year peso denominated bonds issued by the Philippine government which bear fixed interest rate ranging from 5.875% to 8.125% per annum and with maturity dates ranging from July 19, 2031 to October 24, 2037.

Corporate bonds are seven and ten year peso denominated bonds issued by a third party which bear fixed interest rate ranging from 5.625% to9.925% per annum and with maturity dates ranging from December 4, 2018 to April 27, 2022.

The fair values of the held-to-maturity financial assets at the end of 2015 and 2014 are as follows:

Particulars		2015		2014
Government bonds	₱	**64,542,205**	₱	64,632,166
Corporate bonds		**16,164,160**		9,992,817
Total	₱	**80,706,365**	₱	74,624,983

The fair values of these bonds are based on published price quotations in active markets.

The reconciliation of the carrying amounts of held to maturity investments are as follows:

Particulars		2015		2014
Beginning balance	₱	**74,624,983**	₱	74,716,562
Placements		**6,195,925**		-
Collection		**-**		-
Premium amortization		**(114,543)**		(91,579)
Ending balance	₱	**80,706,365**	₱	74,624,983

Corporate bond security with face value amounting to ₱ 6,000,000 was acquired for the period ended December 31, 2015. Government securities with face values amounting to ₱13,700,000 were deposited with the Insurance Commission in accordance with the provisions of the Insurance Code as security for the benefit of policyholders and creditors of the Company for the period ended December 31, 2014.

NOTE 11 –LOANS AND OTHER RECEIVABLES, NET

The account consists of:

Particulars	2015 Current	2015 Non-current	**2015 Total**	2014 Current	2014 Non-current	2014 Total
Real estate mortgage loan	₱ -	₱ 66,867,558	₱ **66,867,558**	₱ -	₱ 66,365,818	₱ 66,365,818
Receivables from life insurance pools	7,620,741	-	**7,620,741**	7,922,104	-	7,922,104
Receivables from related parties (Note 29)	45,224,791	1,580,002	**46,804,793**	3,739,000	1,580,002	5,319,002
Receivables from Paramount	199,118	8,714,438	**8,913,556**	-	7,349,169	7,349,169
Loans and receivables from employees	17,020,953	1,180,009	**18,200,962**	1,793,390	202,716	1,996,106
Third party agreement claims fund	1,274,013	-	**1,274,013**	3,246,112	882,937	4,129,049
Receivables from agents	884,360	190,820	**1,075,180**	458,100	190,820	648,920
Receivables from group policy holders	3,637,052	655,017	**4,292,069**	129,380	655,017	784,397
Policy loan	41,958	-	**41,958**	-	-	-
Security fund contribution	-	14,808	**14,808**	-	14,808	14,808
Gross	₱ 75,902,986	₱ 79,202,652	₱ **155,105,638**	₱ 17,288,086	₱ 77,241,287	₱ 94,529,373
Allowance for doubtful accounts			**(521,027)**			(434,688)
Net			₱ **154,584,611**			₱ 94,094,685

Real estate mortgage loan
The real estate mortgage loans earn interest ranging from 8% to 14% per annum.

Receivables from life insurance pools
This account pertains to a fund in direct group life insurance pools. A business scheme group life insurance companies who jointly accept and share life insurance business and its related risks solicited from a company which does not engage as principal in insurance business.

Receivables from Paramount
The sale of Individual Life Insurance business portfolio of MB Life to Paramount in the year 2005, resulted to collection by Paramount of policyholders payments related to unsold insurance portfolio. This comprises the receivables from Paramount amounting to ₱8,913,556 and ₱7,349,169 for the period December 31, 2015 and 2014, respectively. However, there are also payables to Paramount which are subject to reconciliation. Paramount and MB Life agree to duly settle these accounts once the joint reconciliation process is completed.

Loans and receivables from employees
This represents outstanding balances of loans and advances granted to MB Life's employees.

Receivables from agents
This account pertains to the referral fees which are over-deducted by the agent in the remittance of premium payments from policy holders. The over-deduction on previous remittance will be off-set on the next remittance.

Receivables from network providers
This account pertains to settlement of hospitalization made by the Company in behalf of other insurance companies that are member of their group and network.

Third party agreement claims fund
This account pertains to the Company's loan to third parties earning interest at 1%.

The movement of allowance for impairment of receivables is presented below.

Particulars		2015		2014
Beginning balance	₱	**434,688**	₱	434,688
Provision for doubtful accounts for the year		**86,340**		1,271,111
Write-off during the year		**-**		(1,271,111)
Ending balance	₱	**521,027**	₱	434,688

The table below summarizes the maturity profile of the loans and receivables based on the remaining contract maturity on the estimated timing of the cash flows for the periods December 31, 2015 and 2014, respectively.

	December 31, 2015					
Particulars		Up to 1 year		1-3 years		**Total**
Real estate mortgage loan	₱	-	₱	66,867,558	₱	**66,867,558**
Receivables from Life insurance pools		7,620,741		-		**7,620,741**
Receivables from related parties		45,224,791		1,580,002		**46,804,793**
Receivables from Paramount		199,118		8,714,438		**8,913,556**
Loans receivables from employees		17,020,953		1,180,009		**18,200,962**
Third party agreement claims fund		1,274,013		-		**1,274,013**
Receivables from agents		884,360		190,820		**1,075,180**
Receivables from group policy holders		3,637,052		655,017		**4,292,069**
Policy loan		41,958		-		**41,958**
Security fund contribution		-		14,808		**14,808**
Total	₱	75,902,986	₱	79,202,650	₱	**155,105,638**

	December 31, 2014					
Particulars		Up to 1 year		1-3 years		**Total**
Real estate mortgage loan	₱	-	₱	66,365,818	₱	**66,365,818**
Receivables from Life insurance pools		7,922,104		-		**7,922,104**
Receivables from related parties		3,739,000		1,580,002		**5,319,002**
Receivables from Paramount		-		7,349,169		**7,349,169**
Loans receivables from employees		1,793,390		202,716		**1,996,106**
Third party agreement claims fund		3,246,112		882,937		**4,129,049**
Receivables from agents		458,100		190,820		**648,920**
Receivables from network providers		129,380		655,017		**784,397**
Security fund contribution		-		14,808		**14,808**
Total	₱	17,288,086	₱	77,241,287	₱	**94,529,373**

NOTE 12 –ACCRUED INTEREST RECEIVABLE

For the period ended, December 31, 2015 and 2014, this account consists of accrued interest from real estate mortgage loan and loan to employees amounting to ₱25,297,927 and ₱23,757,481, respectively.

	2015						2014					
Particulars		Current		Non current		**Total**		Current		Non current		Total
Accrued interest receivable	₱	722,187	₱	24,575,740	₱	**25,297,927**	₱	732,255	₱	23,025,226	₱	23,757,481

NOTE 13 – PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, 2015, this account consists of:

Particulars	**2015**	2014
Input VAT	₱ **5,680,172**	₱ 3,894,721
Prepaid expenses	**3,454,682**	2,042,636
Rental deposit	**1,972,221**	1,427,218
Deposits with network providers	**1,392,665**	1,196,615
Deferred MCIT	-	1,046,291
Prepaid supplies	**545,455**	733,367
Advances accountable by receipts	**501,924**	500,936
Documentary and postage stamp	**190,710**	25,155
Creditable withholding tax	-	608
Prepaid income tax	**3,150**	3,131
Total	₱ **13,740,979**	₱ 10,870,678

NOTE 14 – DEFERRED TAX ASSETS AND LIABILITITES

As of December 31, 2015, this account consists of:

	Tax base				Tax Effect		
Particulars	Beginning Balance	Movement	Ending Balance	Tax Rate	Beginning Balance	Movement	**Ending Balance**
Accrual of retirement cost and contribution to retirement fund	₱ 2,543,131	₱ 1,685,675	₱ 9,987,571	30%	₱ 2,543,131	₱ 505,703	₱ **3,048,834**
Benefits paid	(56,193)	(518,853)	(706,161)	30%	(56,193)	(155,656)	**(211,849)**
Provision for uncollectible accounts	130,406	6,681,461	7,116,148	30%	130,406	2,004,438	**2,134,844**
NOLCO- 2014	31,713	-	105,710	30%	31,713	-	**31,713**
Total deferred tax asset	2,649,057	7,848,283	16,503,268		2,649,057	2,354,485	**5,003,542**
Revaluation reserve	3,093,900	-	10,313,000	30%	3,093,900	-	**3,093,900**
Total deferred tax liability	₱ 3,093,900	₱ -	₱ 10,313,000		₱ 3,093,900	₱ -	₱ **3,093,900**

As of December 31, 2014, this account consists of:

	Tax base				Tax Effect		
Particulars	Beginning Balance	Movement	Ending Balance	Tax Rate	Beginning Balance	Movement	Ending Balance
Accrual of retirement cost and contribution to retirement fund	₱ 6,927,970	₱ 1,373,926	₱ 8,301,896	30%	₱ 2,130,953	₱ 412,178	₱ 2,543,131
Benefits paid	-	(187,308)	(187,308)	30%	-	(56,193)	(56,193)
Provision for uncollectible accounts	434,688	-	434,688	30%	130,406	-	130,406
NOLCO- 2014	-	105,710	105,710	30%	-	31,713	31,713
Total deferred tax asset	7,362,658	1,292,328	8,654,986		2,261,359	387,698	2,649,057
Revaluation reserve	10,313,000	-	10,313,000	30%	3,093,900	-	3,093,900
Total deferred tax liability	₱ 10,313,000	₱ -	₱ 10,313,000		₱ 3,093,900	₱ -	₱ 3,093,900

NOTE 15 –INVESTMENT PROPERTY

This account consists of:

Particulars		2015		2014
Improvements	₱	**24,123,000**	₱	24,123,000
Land		**11,038,000**		11,038,000
Total	₱	**35,161,000**	₱	35,161,000

NOTE 16 –ASSETS HELD FOR SALE

This account consists of:

Particulars	Location		2015		2014
Land	Pangasinan	₱	**9,501,000**	₱	9,501,000
	Calamba		**764,000**		764,000
	Bulacan		**1,937,000**		1,937,000
	Caba		**13,554,000**		13,554,000
	Quezon		**98,818**		98,818
	General Santos City		**31,500,000**		31,500,000
Total		₱	**57,354,818**	₱	57,354,818

NOTE 17 – PROPERTY AND EQUIPMENT, NET

The details of the account as of December 31, 2015 are shown below:

Particulars		Beginning Balance		Additions		Disposals		**Ending Balance**
Cost:								
Building	₱	1,184,932	₱	-	₱	-	₱	**1,184,932**
Furniture and fixtures		3,039,430		356,108		-		**3,395,538**
Office equipment		7,437,950		677,164		-		**8,115,114**
Transportation equipment		2,129,464		2,716,858		678,571		**4,164,751**
Other assets		1,179,723		12,001		-		**1,191,724**
Leasehold Improvements		3,830,739		3,374,789		-		**7,205,528**
IT systems software		924,046		112,946		-		**1,036,992**
Appraisal								
Building		18,171,551		-		-		**18,171,551**
Total Cost		37,897,835	₱	7,249,866	₱	678,571		**45,826,272**
Accumulated Depreciation:								
Building		1,184,932		-				**1,184,932**
Furniture and fixtures		1,909,073		192,866		-		**2,101,939**
Office equipment		6,219,602		470,389		-		**6,689,991**
Transportation equipment		1,815,922		421,334		678,571		**1,558,685**
Other assets		788,231		134,679		-		**922,910**
Leasehold Improvements		2,678,832		1,535,560		-		**4,214,392**
IT systems software		451,633		136,333		-		**587,966**
Appraisal								
Building		7,858,551		-		-		**7,858,551**
Total Accumulated Depreciation		22,906,776	₱	2,891,161	₱	678,571		**25,119,366**
Net book/sound value	₱	14,991,059					₱	**20,706,906**

During the year, the company sold one of its transportation equipment that results to a gain amounting to ₱300,000.

The details of the account as of December 31, 2014 are shown below:

Particulars		Beginning Balance		Additions		Disposals		Ending Balance
Cost:								
Building	₱	1,184,932	₱	-	₱	-	₱	1,184,932
Furniture and fixtures		2,771,408		274,822		6,800		3,039,430
Office equipment		6,985,093		452,857		-		7,437,950
Transportation equipment		2,129,464		-		-		2,129,464
Other assets		1,174,475		28,547		23,300		1,179,723
Leasehold Improvements		2,602,678		1,256,061		28,000		3,830,739
IT systems software		557,884		366,162		-		924,046
Appraisal								
Building		18,171,551		-		-		18,171,551
Total Cost		35,577,485	₱	2,378,449	₱	58,100		37,897,835
Accumulated Depreciation:								
Building		1,184,932		-				1,184,932
Furniture and fixtures		1,724,253		185,726		906		1,909,073
Office equipment		5,789,408		430,193		-		6,219,602
Transportation equipment		1,459,449		356,473		-		1,815,922
Other assets		664,941		129,504		6,214		788,231
Leasehold Improvements		2,347,537		338,761		7,466		2,678,832
IT systems software		358,799		92,834		-		451,633
Appraisal								
Building		7,858,551		-		-		7,858,551
Total Accumulated Depreciation		21,387,870	₱	1,533,491	₱	14,586		22,906,776
Net book/sound value	₱	14,189,615					₱	14,991,059

NOTE 18 – INVESTMENTS IN ASSOCIATE

As of December 31, 2015 and 2014, the Company's investment in Eastmont Direct Management Corporation (Eastmont) is as follows:

Subsidiary	Percentage of Ownership		Cost		Equity in Accumulated Net Earnings		**2015**		2014
Eastmont	100%	₱	10,000,000	₱	11,232,993	₱	**2,901,000**	₱	9,496,121

The financial statements of Eastmont as for the period ended December 31, 2015 and 2014 is presented below:

Particulars		**2015**		2014
Assets				
Cash	₱	**25,098**	₱	25,098
Available for sale financial assets		**1,327,536**		1,327,536
Loans and receivables		**6,595,121**		6,595,121
Investment in real estate		**2,901,000**		2,901,000
Property and equipment		**384,238**		384,238
Total Assets	₱	**11,232,993**	₱	11,232,993
Less: Impairment loss		**8,331,993**		1,736,872
Total Equity	₱	**2,901,000**	₱	9,496,121

The financial statements of Eastmont in December 31, 2015 and 2014 present unaudited figures. Eastmont has no commercial operations since the year 2007.

NOTE 19- INSURANCE CONTRACT LIABILITIES

As of December 31, 2015 and 2014, this account consists of:

Particulars		2015		2014
Policy and contract claims payable	₱	**7,370,484**	₱	7,820,059
Aggregate life policy reserve		**75,288,363**		42,137,500
Total	₱	**82,658,847**	₱	49,957,559

The balance of aggregate life policy reserves was actuarially determined and certified true and correct by the Company'sactuary.

InDecember 31, 2015, the aggregate life policy reserve increased by ₱33,150,863 while in 2014, the account increased by ₱18,115,698.

NOTE 20 – PREMIUM DEPOSIT FUND

This account pertains to amounts held under deposit agreements, which do not represent payment of specific premiums, which earn interest at such rates as maybe declared by the Company each year but never at the lowest prevailing interest rate, net of tax, of savings accounts on banks. As of December 31, 2015 and 2014, the account amounted to ₱18,313,616 and ₱17,365,383, respectively.

NOTE 21- INSURANCE PAYABLES

The account pertains to the reinsurance premiums due and payable by the Company to its reinsurers amounting to NIL and NIL as of December 31, 2015 and 2014, respectively.

NOTE 22 – PAYABLES AND ACCRUED EXPENSES

This account consists of:

Particulars		2015		2014
Supplier	₱	**13,757,679**	₱	5,251,291
Referror's and agent's retention fund		**3,740,488**		1,750,151
Lease liability		**3,513,985**		-
Due to government agencies		**2,649,926**		1,714,056
Dividends payable (Note 30)		**641,333**		641,333
Other current liabilities		**295,342**		90,291
Due to employees		**198,046**		-
Remittances unapplied deposit		**98,005**		98,005
Deposit held in trust		**4,750**		4,750
Accrued expenses		**-**		527,036
Total	₱	**24,899,554**	₱	10,076,913

Accrued expenses pertain to accruals of professional fees and provision for unclaimed wages and damages.

NOTE 23 – INCOME TAXES

On December 11, 1997, Republic Act No 8424 entitled "An Act Amending the National Internal Revenue Code as Amended and for Other Purposes" was passed into law effective January 01, 1998. The Act includes the following significant revisions to the current rules of taxation:

a) Change in the corporate income tax rate to 34% in 1998, 33% in 1999 and 32% in 2000 and onwards as amended further by RA 9337 to 30% as indicated below.
b) Imposition of minimum corporate income tax of 2% of gross income, as defined.
c) Imposition on the employer of a final tax on the grossed up monetary value of fringe benefits granted to employees (except rank and file) at the following rates: 34% in 1998, 33% in 1999 and 32% in 2000 and onwards.
d) Reduction of interest expense allowed as deductible expense by an amount equivalent to a certain percentage of the interest income subjected to final tax as follows: 41% starting January 01, 1998, 39% starting January 01, 1999 and 38% starting January 01, 2000 and onwards ; and,
e) Introduction of a three-year net operating loss carryover.

On July 26, 2005, Republic Act No. 9337 entitled "An Act Amending Sections 27, 28, 34, 106,107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 and 288 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes" was passed into law effective July 1, 2005. The significant amendments to the rules of taxation include the following;

a) Change in the corporate income tax rate to 35% effective November 1, 2005, provided that effective January 1, 2009 the income tax rate shall be 30%.
b) Raise in the value added tax rate to 12% effective January 1, 2006.

The imposition of the Minimum Corporate Income Tax or MCIT; under Republic Act No 8424 entitled "An Act Amending the National Internal Revenue Code as Amended, and for Other Purposes"; requires the company to determine the minimum amount of income tax to be paid thru the comparison of the normal income tax and MCIT to determine the amount of income tax to be paid each taxable years starting on its fourth year of operation. The following tables present the computations for the normal income tax and the MCIT.

The detailed computation of the current tax expense under the Normal Corporate Income Tax for the year's ended December 31, 2015 and2014, is as follows:

Particulars		**2015**		2014
Net income	₱	**3,112,430**	₱	4,975,344
Add/(Deduct) reconciling item		-		
		-		-
Permanent differences:		-		
Dividend income (Note 33)		**(1,532,756)**		(2,502,180)
Interest income on bank deposits (Note 33)		**(165,784)**		(17,988)
Interest income on bonds (Note 33)		**(4,423,615)**		(4,032,198)
Unallowable interest expense		**125,174**		154,313
Loss on sale - AFS		**851,658**		-
Fines and penalties (Note 38)		**2,200,947**		130,380
Unallowable representation expense		**771,527**		-
Deductible prior period adjustments (Note 31)		-		-
Taxable prior period adjustments (Note 31)		-		-
		-		-
Temporary difference:		-		
Provision for doubtful accounts for the year		**86,340**		-
Provision for impairment of investment in associates		**6,595,121**		-
Retirement costs		**1,685,675**		1,373,926
Benefits paid		**(518,853)**		(187,308)
Taxable Income		**8,787,864**		(105,710)
Applicable tax rates		**30%**		30%
Current Tax Expense		**2,636,359**		-

Deferred tax expense resulting from the origination of temporary differences:		
Provision for doubtful accounts	**2,004,438**	
Retirement costs	**(505,703)**	(412,178)
Benefits paid	**155,656**	56,193
NOLCO 2014	**-**	(31,713)
Deferred tax expense (income)	**2,354,485**	(387,698)
Aggregate Tax Expense	₱ **281,785**	₱ (387,698)

While the Minimum Corporate Income Tax is computed as follows:

Particulars	**2015**	2014
Gross Revenue		
Underwriting income (Note 32)	₱ **227,138,027**	₱ 147,630,468
Other income	**15,740,532**	19,340,619
Sub-total	**242,878,559**	166,971,087
Direct cost and expenses	**(168,071,667)**	(114,656,556)
Gross income	**74,806,892**	52,314,531
MCIT Rate	**2%**	2%
Minimum Corporate Income Tax Due	₱ **1,496,138**	₱ 1,046,291

For the year ended December 31, 2015, the comparison between the Company's computed Normal Corporate Income Tax (NCIT) and Minimum Corporate Income Tax (MCIT) discloses that NCIT is higher than MCIT; hence, it is the basis of the Company's tax due for the period.

For the year ended December 31, 2014, the comparison between the Company's computed Normal Corporate Income Tax (NCIT) and Minimum Corporate Income Tax (MCIT) discloses that MCIT is higher than NCIT; hence, it is the basis of the Company's tax due for the period.

The details of the income tax payable (over payment) are as follows:

Particulars	**2015**	2014
Tax still due	₱ **2,636,359**	₱ 1,046,291
Income tax payments for the first three quarters	**(603,123)**	(612,949)
Creditable withholding tax applied	**(1,686,636)**	(436,473)
Income tax payable (over payment)	₱ **346,600**	₱ (3,131)

NOTE 24 - RETIREMENT PLAN

The Company has a non-contributory retirement plan in trust, which took effect on Sept. 15, 1994 covering all regular, permanent and full-time employees of the company. This provision of the Plan allows the retirement of an employee who may have served the company for even less than ten (10) years as long as the employee retires at the age of 65. The plan also provides for death, permanent disability and severance benefits.

Derivations of liability to be recognized in the Statements of financial position as ofDecember 31, are as follows:

Particulars	**2015**	2014
Present value of obligation	₱ **7,882,677**	₱ 7,228,525
Fair value of plan assets	**(3,841,444)**	(2,611,742)
Liability(Asset), Ending	₱ **4,041,233**	₱ 4,616,783

Net plan costs for the calendar year are as follows:

Particulars		2015		2014
Current service cost	₱	**1,478,381**	₱	1,162,128
Net interest cost		**207,294**		211,798
Net plan cost to be recognized on profit or loss		**1,685,675**		1,373,926
Actuarial gain (loss) – Obligation		**629,937**		152,734
Remeasurement on plan assets		**(87,565)**		(101,738)
Actuarial loss to be recognized on other comprehensive income		**542,372**		50,996
Net plan cost to be recognized on total comprehensive income	₱	**1,143,303**	₱	1,322,930

Movements of fair value of plan asset are as follows:

Particulars		2015		2014
Beginning balance	₱	**2,611,742**	₱	2,101,671
Contributions		**1,200,000**		500,000
Interest income		**117,267**		111,809
Benefits paid		**-**		-
Remeasurement on plan asset –OCI		**(87,565)**		(101,738)
Ending balance	₱	**3,841,444**	₱	2,611,742

Movements of present value of obligation are as follows:

Particulars		2015		2014
Beginning balance	₱	**7,228,525**	₱	6,082,832
Interest cost		**324,561**		323,607
Current service cost		**1,478,381**		1,162,128
Benefits paid		**(518,853)**		(187,308)
Actuarial (gain) / loss		**(629,937)**		(152,734)
Ending balance	₱	**7,882,677**	₱	7,228,525

The movements in net liability/(asset)are as follows:

Particulars		2015		2014
Liability/(Asset), beginning	₱	**4,616,783**	₱	3,981,161
Amount to be recognized in profit or loss		**1,685,675**		1,373,926
Amount to be recognized in other comprehensive income		**(542,372)**		(238,304)
Contributions/ Benefits paid directly by the Company		**(1,718,853)**		(500,000)
Liability/(Asset), ending	₱	**4,041,233**	₱	4,616,783

Maturity analysis of the undiscounted benefit payments for the period January 1, 2015 to December 31, 2015 is shown below:

Particulars		Amounts
1 year and less	₱	**-**
More than 1 year to 5 years		**517,867**
More than 5 years to 10 years		**4,597,615**
More than 10 years to 15 years		**9,782,909**
More than 15 years to 20 years		**6,378,589**
More than 20 years		**290,722,481**

The amount to be recognized in profit or loss for the year 2016:

Particulars		Amounts
Current service cost	₱	**1,633,322**
Net interest cost		**197,616**
Past service cost		**-**
Actuarial (gain)/loss due to settlement		**-**
Total	₱	**1,830,938**

Principal actuarial assumption (end of period):

Particulars	2015	2014
Discount rate	**4.89%**	4.49%
Salary increase rate	**5.00%**	5.00%

As of December 31, details of China Bank Savings Trustee report retirement fund are as follows:

Particulars		2015		2014
Deposit in banks	₱	**2,753,079**	₱	1,007,064
Investments		**867,759**		1,579,972
Receivables		**26,379**		29,385
Liabilities		**(5773)**		(4,679)
Additional Deposits		**200,000**		-
Fund balance	₱	**3,841,444**	₱	2,611,742

NOTE 25 – SHARE CAPITAL

The account consists of the following common stock from

Particulars		2015		2014
Authorized				
125,000,000 common shares at ₱1	₱	**125,000,000**	₱	125,000,000
125,000,000 preferred shares at ₱1		**125,000,000**		125,000,000
Total	₱	**250,000,000**	₱	250,000,000
Issued and Outstanding				
125,000,000 common shares at ₱1	₱	**125,000,000**	₱	125,000,000
125,000,000/ 54,687,500 preferred shares at ₱1		**125,000,000**		125,000,000
Subtotal		**250,000,000**		250,000,000
Subscription receivable		**-**		(6,000,000)
Net	₱	**250,000,000**	₱	244,000,000

NOTE 26 - RETAINED EARNINGS

The account consists of:

Items		2015		2014
Unappropriated Retained Earnings, beginning	₱	**49,166,715**	₱	47,803,672
Adjustments:				
Dividends declared during the year (Note 30)		**(9,923,034)**		(4,000,000)
Appropriation for capital expansion during the year		-		-
Unappropriated Retained Earnings, as adjusted, beginning		**39,243,681**		43,803,672
Net Income based on the face of AFS		**5,431,944**		4,638,039
Less: Non-actual/unrealized income net of tax				
• Unrealized fair value gain (losses) on available for sale financial assets		**(1,206,394)**		776,000
•Reclassification to profit and loss on gain on available for sale financial assets for the year		**(852,624)**		
• Remeasurement of net defined benefit plan		**(542,372)**		(50,996)
Net Income Actual/Realized		**2,830,555**		5,363,043
Unappropriated Retained Earnings, as adjusted, ending	₱	**42,074,236**	₱	49,166,715

NOTE 27 - MARGIN OF SOLVENCY

Under the Insurance Code of the Philippines, a domestic Life insurance company doing business in the Philippines shall maintain at all times a margin of solvency equal to ₱500,000 or ₱2.00 per ₱1,000 of the total amount of its insurance in-force as of the preceding calendar year on all policies except term insurance whichever is higher. The margin of solvency shall be the excess of the value of its admitted assets (as defined under the same Code) exclusive of its paid-up capital over the amount of its liabilities, unearned premiums and reinsurance reserves.

The final amount of the margin of solvency can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically as to admitted and non-admitted assets as defined in the Insurance Code.

NOTE 28 – SURPLUS

The following comprise the balance of this account as of December 31, 2015, and 2014.

Particulars		2015		2014
Contributed Surplus	₱	**3,589,340**	₱	3,589,340
Contingency Surplus		**-**		-
Total	₱	**3,589,340**	₱	3,589,340

Under Section 194 of the Insurance Code, Margin of Solvency, stockholders are allowed to make additional contribution in proportion to their respective interest to maintain the required margin of solvency. The contribution has been treated as Surplus by the Company.

NOTE 29 - TRANSACTIONS WITH RELATED PARTIES

The Company's transactions with related parties consist mainly of interest bearing loans granted to officers and affiliates, rental of office space, investments, insurance coverage for the officers of some of its affiliates and loan availments from a stockholder.

Outstanding balances from related party transactions in December 31, 2015 are summarized below:

Particulars	Beginning Balance	Additions	Collections/ Return	Reclassification	**Ending Balance**
Real estate mortgage loan					
VGP Group, Inc.	₱ 42,000,000	₱ -	₱ -	₱ -	₱ **42,000,000**
Maggamby Holdings, Inc	6,500,000	-	(500,000)	-	**6,000,000**
Manor Management Corp.	5,500,000	-	-	-	**5,500,000**
Subtotal	54,000,000	-	(500,000)	-	**53,500,000**
Receivables:					
Officers	1,580,002	26,400,000	-	-	**27,980,002**
PJS		49,100			**49,100**
Manor Management Corp.	3,739,000	15,036,691	-	-	**18,775,691**
Subtotal	31,768,102	-	-	-	**46,804,793**
Total	₱ 85,768,102	₱ 15,036,691	₱ (500,000)	₱ -	₱ **100,304,793**

Outstanding balances from related party transactions in December 31, 2014 are summarized below:

Particulars	Beginning Balance	Additions	Collections/ Return	Reclassification	Ending Balance
Real estate mortgage loan					
VGP Group, Inc.	₱ 42,000,000	₱ -	₱ -	₱ -	₱ 42,000,000
Maggamby Holdings, Inc	6,500,000	-	-	-	6,500,000
Manor Management Corp.	-	5,500,000	-	-	5,500,000
Subtotal	48,500,000	5,500,000	-	-	54,000,000
Receivables:					
Officers	1,580,002	-	-	-	1,580,002
VGP Group, Inc.	485,333			(485,333)	-
Manor Management Corp.	9,845,146	-	948,500	(5,157,646)	3,739,000
ABP Holdings	403,421	-	-	(403,421)	-
Subtotal	12,313,902	-	948,500	(6,046,400)	5,319,002
Total	₱ 60,813,902	₱ 5,500,000	₱ 948,500	₱ (6,046,400)	₱ 59,319,002

The Company and the foregoing related parties have common directors and/or officers.

NOTE 30 - DIVIDEND DECLARATION AND DISTRIBUTION

Under the Insurance Code, a domestic Life insurance company shall declare or distribute dividends on its outstanding stocks only from profits remaining on hand after retaining unimpaired:

a. the entire paid-up capital stock;
b. the margin of solvency required;
c. the legal reserve fund required; and
d. a sum sufficient to pay all net losses reported or in the course of settlement, and all liabilities for expenses and taxes.

The Company declared cash dividends amounting to ₱10,256,368 to its preferred stockholders. Of this amount, only ₱9,294,360 was paid while the remaining ₱962,000 was not yet paid and is reported as dividends payable in 2015 and 2014, respectively. (See Note 26)

NOTE 31 – PRIOR PERIOD ADJUSTMENT

For the years 2015 and 2014, the company does not have prior period adjustments.

NOTE 32 – INSURANCE PREMIUM

For the periods ended December 31, 2015 and2014, the account consists of the following:

Particulars		2015		2014
Insurance premium	₱	**227,389523**	₱	141,950,744
Other premium		**1,056,166**		269,725
Subtotal		**228,445,690**		142,220,469
Reinsurance premium share		**50,259**		305,260
Increase (Decrease) in net due and deferred premium		**(631,664)**		5,876,707
Gross premium on insurance contract		**227,864,285**		148,402,436
Reinsurer's share of gross insurance premium		**(726,257)**		(771,968)
Net	₱	**227,138,027**	₱	147,630,468

NOTE 33 – FINANCE INCOME

For the periods ended December 31, 2015 and 2014, the account consists of the following:

Particulars		2015		2014
Interest income from investment in bonds	₱	**4,423,615**	₱	4,032,198
Dividend income		**1,532,756**		2,502,180
Interest income from banks		**165,784**		17,988
Interest income from policy loans		**5,035**		924
Net	₱	**6,127,190**	₱	6,553,290

NOTE 34 – OTHER INCOME

For the periods ended December 31, 2015, and 2014, the account consists of the following:

Particulars		2015		2014
Interest from mortgage and collateral loans	₱	**8,182,821**	₱	6,696,510
Other miscellaneous income		**6,721,210**		12,638,705
Gain on sale - AFS		**531,466**		-
Gain on sale of property and equipment		**300,000**		4,480
Total	₱	**15,735,497**	₱	19,339,695

Other miscellaneous income consists mainly of network fees, and rent income.

Finance cost for the periods ended December 31, 2015 and 2014 amount to ₱307,966 and ₱194,096, respectively.

NOTE 35 – GROSS BENEFIT AND CLAIMS PAID ON INSURANCE CONTRACTS

For the periods ended December 31, 2015, and 2014, the account consists of the following:

Particulars		2015		2014
Death benefit	₱	**13,456,589**	₱	13,287,180
Hospitalization benefit		**7,664,071**		5,347,631
Death claims		**(147,921)**		7,509,746
Total	₱	**20,972,739**	₱	26,144,557

NOTE 36 – COMMISSION EXPENSES

For the periods ended December 31, 2015, and 2014, the account consists of the following:

Particulars		2015		2014
Referral fees	₱	**14,549,206**	₱	10,184,210
Service fees		**-**		-
Total	₱	**14,549,206**	₱	10,184,210

NOTE 37 – UNDERWRITING EXPENSES

For the periods ended December 31, 2015, and 2014, the account consists of the following:

Particulars		2015		2014
Administrative	₱	**76,991,876**	₱	40,011,318
Agency outside services		**21,574,074**		15,100,522
Experience refund		**696,078**		3,892,266
Surrender benefits		**68,381**		1,106,267
Medical fee		**31,505**		74,338
Documentary stamp tax		**36,945**		27,380
Total	₱	**99,398,859**	₱	60,212,091

NOTE 38 – GENERAL AND ADMINISTRATIVE EXPENSES

For the periods ended December 31, 2015, and 2014, the account consists of the following:

Particulars		2015		2014
Salaries and other benefits	₱	**23,294,244**	₱	21,149,343
Consultants' fees		**14,095,886**		8,673,747
Rental		**8,409,458**		6,304,129
Provision for Impairment of investment in associates		**6,595,121**		1,736,872
Professional fees		**3,785,178**		1,827,509
Depreciation (Note 17)		**2,891,730**		1,533,491
Communication and postages		**2,790,115**		2,945,489
Fines and penalties		**2,200,947**		130,380
Representation and entertainment		**1,910,847**		521,849
Taxes and licenses (Note 40)		**1,786,393**		259,754
Light and water		**1,762,015**		1,729,675
Printing, stationery and supplies		**1,465,915**		817,127
Loss on sale - AFS		**1,383,124**		-
Transportation and travel		**854,493**		667,080
Association dues		**443,933**		692,761
Insurance		**442,008**		354,313
Directors' bonuses		**405,000**		367,500
Advertising and promotion		**375,818**		198,062
Repairs and maintenance		**296,950**		202,073
Shipping charges		**160,810**		139,543
Directors' fees		**135,000**		175,000
Provision for doubtful accounts		**86,340**		1,271,111
Donations and contributions		**35,992**		81,300
Impairment loss		**-**		1,736,872
Security expense		**-**		9,949
Appraiser and survey fees		**-**		7,143
Miscellaneous		**1,901358**		1,902,256
Total	₱	**77,508,675**	₱	55,434,328

NOTE 39 – OTHER MATTERS

As of December 31, 2015, the Company has the following legal cases:

A. *National Food Authority vs. MBLIC*
Civil Case No. Q-03-50719
Regional Trial Court of Quezon City, Branch 218

This is a complaint for damages filed by the National Food Authority ("NFA") against MBLIC on 23 September 2003 in relation to the latter's winning bid for the NFA's 2003 Group Term Life insurance under the NFA's Insurance Programs. Due to demand of NFA to put amendment on standard insurance policy and failure to pay the premium, no insurance policy was issued. The total claim for breach of contract was P23M. RTC dismissed the case. NFA filed an appeal. The amount of claim is P23 Million.

B. *National Food Authority vs. MBLIC*
CA-G.R. CV No. 1100221
Special First Division, Court of Appeals-Manila

This is an ordinary appeal to the Court of Appeals ("CA") from the Decision dated 30 July 2012 rendered by the Regional Trial Court of Quezon City in Civil Case No. Q-03-50719, which in turn dismissed appellant NFA's complaint against appellee MBLIC for lack of merit. The case is still pending before the Court of Appeals.

C. *Intestate Estate of the late IndalicioMonera vs. MBLIC, et. Al.*
Civil Case No. 2397-V-86
Regional Trial Court of Valenzuela, Branch 75

The heirs of the late IndalicioMonera filed their amended and supplemental complaint in this case on October 26, 1987 praying, among others, for the payment by MBLIC of its obligation under the Group Creditors Life Certificate of Insurance to pay the sum of Php78,000 to the Meycauayan Rural Bank ("MRB"), in extinguishment of the Php45,000 loan, plus increments, as well as damages plus attorney's fees and litigation costs of a t least Php25,000. To date, CA has yet t issue an ordinance notifying parties that the case records are now with CA and directing Plaintiff-Appellants to file their brief within 45 days from receipt of notice.

On August 5, 2014, the Plaintiffs filed a Notice of Appeal with the Court which then issued an Order dated August 29, 2014 stating that the Plaintiffs had seasonably filed their Notice of Appeal and the same was given due course. The Court thus ordered that the records of the case be forwarded to the Court of Appeals for appropriate proceedings.

D. *Intestate Estate of the late IndalicioMonera vs. MBLIC, et. al.*
CA G. R. no. CV 104490
Court of Appeals, Eighth Division

It is the contention of MBLIC that the insurance policies were procured by the late Monera in fraud of MBLIC, as the former, prior thereto, was well aware that had been diagnosed to be suffering from cancer.

On July 24, 2015, we received a Notice dated June 22, 2015 from the CA informing appellants Intestate Heirs of the Late Indalicio Monera and their counsel that the records of the case are now complete and directing appellants to file their brief with the CA within 45 days from its receipt of said notice. On September 15, 2015, we received a copy of Plaintiffs' Appellants' Brief dated September 3, 2015.

On December 17, 2015 we received a Manifestation from Defendant- Appelle Meycauayan Rural Bank, Inc. stating that Plaintiffs - Appelants' Reply Brief dated December 1, 2015 was an express admission on their part that their Appeal Brief dated September 3, 2015 failed to comply with the requirements of the brief.

E. *Romeo Galeos, Jr. vs. MBLIC- Settled and paid thru bond with Paramount*
NLRC RAB VII Case No. 08-1801-2005
GR No. 188756, Supreme Court, Third Division

On 1 August 1994, MBLIC engaged Romeo Galeos as an insurance underwriter under an agency contract. On 23 August 2004, MBLIC terminated the contract of agency of Mr. Galeos for violation of the terms of the contract, such as (a) unauthorized use of advertising material that caused damage to the good name and reputation of MBLIC; and (b) dishonesty arising from unauthorized encashment of checks payable to Gonzales.

On August 28, 2012, MBLIC filed a Motion for Leave to Consign to the NLRC the adjudged monetary award, in the amount of P1, 088,986.80 by way of final settlement of the judgment award in the instant case. On September 18, 2012, we received the Comment to Motion for Leave to Consign filed by Atty. Tabotabo dated September 11, 2012. In aid comment, Atty. Tabotabo expressed no opposition to our Motion for Leave to Consign and prayed for the issuance of an order allowing us to do so.

F. *Felicidad Lopez v. MBLIC and NLRC*
NLRC LAC No. 10-002755-07, NLRC-RAB-IV-01-00015-04-P
CA-G.R. SP No. 122708-UDK, Court of Appeals, Manila, Former Fifth Division
G.R. No. 208727, Supreme Court, First Division

This is a complaint for illegal dismissal with Felicidad Lopez, an insurance agent of the company from 1991 to 1999, due to some controversies regarding remittance of insurance premiums. The petitioner alleged that she was not afforded due process in her termination.

The Labor Arbiter dismissed the complaint, sustaining MBLIC's defense that no employer-employee relationship existed as petitioner Lopez was an agent of MBLIC. Petitioner Lopez filed a Motion for Reconsideration on December 13, 2011 after failing to perfect her appeal and denying her Notice of Appeal and Petition for Review by the CA due to improper remedies.

On July 20, 2015, we received the Court of Appeals' undated Transmittal to NLRC-QC of the entire records of CA-GR No. SP 122078 for proper disposition.

G. *MBLIC and Eastmont Direct Management Corporation v. Teresita M.De Mesa*
Civil Case No. 13-031
Regional Trial Court of Makati, Branch 57

The Court issued its Decision dated January 3, 2006, awarding in favor of MBLIC the amount of P5, 718,120 as damages. On September 3, 2013, a copy of the Court's Resolution dated August 7, 2013 was received reviving the Decision of the Court in Civil Case No. 01-1525 and ordering defendant Teresita M. de Mesa to pay MBLIC the said amount plus legal interest of 12% per annum to be reckoned from the filing of the Complaint in Civil Case No. 01-1525 until the filing of the petition on March 15, 2013 plus cost of suit. The Court further decreed that the judgment award itself, inclusive of interest, shall bear a twelve percent annual interest until fully paid.

On July 29, 2015, we received the Sheriff's Report from Sheriff Mondido, stating that he has served the Notice of Garnishment of de Mesa's real property in Quezon City upon the head offices of the legal department of the different banks in Metro Manila.

On January 28, 2016, an affidavit from Manila Times was received stating the Notice of Sale Execution of Real Property in its issue/s of January 14, 21 & 28, 2016. On February 19, 2016, MBLIC received a Certificate of sale for P124, 000 certifying the sale at public auction from Branch 57 of the RTC of Makati City.

H. *People of the Philippines v. Teresita M. De Mesa*
Criminal Case No. 02-177
Regional Trial Court of Makati, Branch 63

A criminal case for estafa filed against accused Teresita M. de Mesa. Due to the repeated failure to appear of Ms. Rosemarie Evangelista, a key prosecution witness, the case was provisionally dismissed on September 22, 2010.

On July 9, 2013, the court granted accused de Mesa's Omnibus Motion for Permanent Dismissal to release cash bond and to lift hold departure order.

I. *University of the Philippines vs. MBLIC*
Civil Case No. Q-94-22383
Regional Trial Court of Quezon City, Branch 224

This is a collection case for a sum of money filed by the University of the Philippines ("UP") against MBLIC. UP claims that MBLIC entered into a contract of lease over the Asian Institute of Tourism Complex for a period of five (5) years. UP claims that MBLIC failed to pay the rentals amounting to PhP13,167,706. UP is also claiming 12% interest from the date the rentals became due and attorney's fees of 25%. MBLIC offers CABA property with appraised value of P11,618,000 as settlement of all claims. As of March 28, 2016, third party defendant Brentwood is still deciding whether or not it will present rebuttal evidence because the formal offer of evidence is not yet resolved. The next hearing was set for June 27, 2016 at 8:30 A.M. The new Presiding Judge is Juris Dilinila - Callanta.

NOTE 40 – SUPPLEMENTARY TAX INFORMATION UNDER RR 15- 2010

In compliance with the requirements set forth by RR 15- 2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

40.1 Percentage Tax

The amount of percentage taxes paid during the periods ended December 31, 2015 and 2014 are presented below:

Particulars	**2015**		2014	
	Tax base	**Premium tax**	Tax base	Premium tax
Insurance premium tax (Note 32)	₱ **227,035,647**	₱ **4,539,014**	147,630,468	₱ 2,818,492

40.2 Value added tax

Output VAT declared for the periods ended December 31, 2015 and 2014 and the revenues upon which the same was based consist of:

Particulars	**2015**		2014	
	Sales/ Receipts	**Output Tax**	Sales/ receipts	Output Tax
Sales of services	₱ **3,170,786**	₱ **380,494**	₱ 1,266,123	₱ 151,935

Movement of input VAT for the periods ended December 31, 2015 and2014are as follows:

Particulars	**2015**	2014
Beginning of the year	₱ **69,432**	₱ **23,604**
Current year's domestic purchases/ payments for:		
Goods other than for resale or manufacture	**210,970**	**136,127**
Services lodged under other accounts	**1,927,653**	**1,435,633**
Total	**2,208,054**	**1,595,364**
Claims for tax credit/refund and other adjustments	**2,195.389**	**1,525,932**
Balance at the end of the year	₱ **12,665**	₱ **69,432**

40.3 Importation

The Company did not have any purchases of imported goods subject to custom duties and tariff fees for the periods ended December 31, 2015 and 2014.

40.4 Excise taxes

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

40.5 Documentary stamp tax

	2015		2014	
Particulars	**Amount**	**DST Thereon**	Amount	DST Thereon
Loan instruments	₱ **7,687,607**	₱ **38,438**	₱ 3,341,528	₱ 16,615
Insurance premiums	**637,280,718**	**36,945**	815,219,974	27,380
Total		₱ **75,383**		₱ 43,995

Documentary stamp taxes (DST) on loan instruments are borne by the borrowers.

The tax base on documentary stamp tax on insurance premiums is based on the number of newly issued insurance policy which equals to 1,314 and 1,086 for the periods ended December 31, 2015 and 2014, respectively.

40.6 All other local and national taxes

The taxes and licenses paid by the company in December 31, 2015 and2014are as follows:

Particulars		**2015**		2014
a. Local				
Real property taxes	₱	**22,855**	₱	43,675
Barangay clearance		**133,415**		52,440
Professional tax receipt		**6,459**		1,200
Filing fee for increase in authorized capital stock		**-**		-
Registration to LTO		**25,280**		7,137
Registration to IC		**10,100**		5,050
Documentary stamp tax		**819, 323**		4,932
Transfer tax		**424,938**		
b. National				
BIR annual registration		**4,200**		500
Insurance commission renewal and filing fee		**339,823**		144,820
Total (Note 38)	₱	**1,786,393**	₱	233,997

In addition to the taxes and licenses in the above table, the Company paid the following taxes and licenses which the Company charged to its policyholders:

Particulars		**2015**		2014
Mayor's permit	₱	**792,708**	₱	44,840
Barangay clearance		**13,870**		7,600
Community tax certificate		**10,500**		19,788
Total	₱	**817,078**	₱	72,228

40.7 Withholding taxes

For the periods ended December 31, 2015 and 2014, the amounts of withholding taxes paid are as follows:

Particulars		**2015**		2014
Tax on compensation	₱	**2,480,585**	₱	2,218,446
Expanded withholding taxes		**11,679,723**		7,183,242
Total	₱	**14,160,309**	₱	9,401,688

40.8 Deficiency tax assessments

The Company did not have any payment of Deficiency tax assessment for the period ended December 31, 2015 and2014.

40.9 Tax cases

The tax assessments and cases of the Company for 2015 are as follows:

A. *MBLIC vs. Commissioner of Internal Revenue*
CTA Case Nos. 7266, 7378 and 7324
Court of Tax Appeals, Second Division
G.R. No. 199729-30, Supreme Court, Second Division

This is a consolidated case for MBLIC's 2001, 2002 and 2003 tax assessments. On 12 November 2009, we received a copy of the Court of Tax Appeals' ("CTA") Decision promulgated on 6 November 2009 ordering MBLIC to pay a total of P14, 063,607.51 as deficiency MCIT and DST.

The cases are as follows with their corresponding deficiencies in Minimum Corporate Income Tax (MCIT) and Documentary Stamp Tax (DST) and increments:

Case No. 7266 (2001 assessment)-P7, 951,462.28
Case No. 7323 (2002 assessment)–P2, 528,424.74
Case No. 7378 (2003 assessment) – P2, 083,203.48

On 27 November 2009, MBLIC filed its Partial Motion for Reconsideration on the CTA's Decision. On 6 April 2010, the CTA-Division rendered its Resolution denying the motions for reconsideration filed by both MBLIC and the Commissioner of Internal Revenue ("CIR").

On 5 May 2010 and 7 May 2010, MBLIC and the CIR respectively filed their Petitions for Review (docketed as CTA EB Case Nos. 621 and 620) before the CTA *En Banc.* On 18 August 2011, the CTA *En Banc* promulgated its Decision affirming the Decision of the CTA's Former Second Division dated 6 November 2009 and denying the Petitions for Review filed by MBLIC and the BIR. Subsequently, the BIR filed a Motion for Reconsideration and MBLIC filed its Motion for Partial Reconsideration of the CTA *En Banc's* Decision. On 9 December 2011, the CTA *En Banc* promulgated its Resolution denying MBLIC's Motion for Partial Reconsideration and the BIR's Motion for Reconsideration.

In the En Banc Decision dated 18 August 2011, In the En Banc Decision dated 18 August 2011, the Decision was affirmed in toto.

B. <u>MBLIC vs. Commissioner of Internal Revenue</u>

G.R. No. 199732-33
(CTA EB Case No. 620 and 621)

On 1 February 2012, MBLIC filed its Petition for Review on Certiorari before the Supreme Court questioning the CTA *En Ban's* Decision and Resolution docketed as G.R. No. 199729-30. On 9 February 2012, we received a copy of the Petition dated 3 February 2012 filed by the BIR likewise questioning the CTA *EnBanc's* Decision and Resolution. Pursuant to the order of the Supreme Court, MBLIC file its Comment on 10 April 2012 to the BIR's Petition for Review on Certiorari. On 2 August 2012, CIR filed its Comment on MBLIC's Petition for Review.

The Supreme Court also required CIR to file a Reply to MBLIC's Comment. On 23 January 2013, we received a copy of CIR's Reply dated 18 January 2013.On 6 May 2013, we received the Court's Resolution dated 4 February 2013 granting the Officer of the Solicitor General's ("OSG") fourth to sixth motions for extension of time to file the CIR's reply and taking note of the CIR's filing of its reply. On 15 December 2014, the Firm filed its Notice of Withdrawal of Appearance as Counsel dated 10 December 2014 upon the Company's instruction and with its written conformity thereto.

On May 8, 2013, PJS received SC resolution granting Office of Solicitor General 4th to 6th motion for extension of time to file CIR reply.

All these cases are consolidated and still pending before the Supreme Court.

MANILA BANKERS LIFE INSURANCE CORPORATION

Annex 68-C, SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2015 and 2014

Items		2015		2014
Unappropriated Retained Earnings, beginning	₱	**49,166,715**	₱	47,803,672
Adjustments: Prior period adjustments		**-**		-
Unappropriated Retained Earnings, as adjusted, beginning	₱	**49,166,715**	₱	47,803,672
Net Income based on the face of AFS		**5,431,944**		4,638,039
Less: Non-actual/unrealized income net of tax				
• Equity in net income of associate/joint venture		**-**		-
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial Gain		**-**		-
• Fair value adjustment (M2M gains)		**-**		-
• Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain		**-**		-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		**-**		-
• Unrealized fair value gain (losses) on available for sale financial assets		**(1,206,394)**		776,000
• Reclassification to profit and loss on gain on sale available for sale financial assets		**(852,624)**		
Add: Non-actual losses				
• Depreciation on revaluation increment (after tax)		**-**		-
• Adjustment due to deviation from PFRS/GAAP - loss		**-**		-
• Remeasurement of net defined benefit plan		**(542,372)**		(50,996)
•Loss on fair value adjustment of investment property (after tax)		**-**		-
Net Income Actual/Realized	₱	**2,830,555**	₱	5,363,043
Add/(Less):				
Dividends received from an associates		**-**		-
Dividend declared to stockholder		**-**		-
Dividend declared and paid		**(9,294,368)**		(3,358,667)
Dividend declared but not yet paid		**(962,000)**		(641,333)
Subtotal		**(10,256,368)**		(4,000,000)
Unappropriated Retained Earnings, as adjusted, ending	₱	**41,942,509**	₱	49,166,715

MANILA BANKERS LIFE INSURANCE CORPORATION

Schedule of Philippine Financial Reporting Standards effective as at
December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors		✓	
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
(Amended)				
PAS 28 (Amended)	Investments in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities *	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** These standards are not yet effective.*